

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Benton Harbor Public Library	County Berrien
Audit Date 6/30/05	Opinion Date 11/14/05	Date Accountant Report Submitted to State: 12/23/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Laverne Breuker, CPA			
Street Address 2002 Lasein Drive	City St. Joseph	State MI	ZIP 49085-9410
Accountant Signature 			Date 12/23/05

BENTON HARBOR PUBLIC LIBRARY

FINANCIAL REPORT

JUNE 30, 2005

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**BENTON HARBOR PUBLIC LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

Using This Annual Report

This annual report consists of three parts: Management's discussion and analysis; Basic financial statements; and required supplementary information. The combination of these parts will show how the Library's services were financed in the short-term, as well as indicate what remains for future spending.

Condensed Financial Information

The tables below contain key financial information in a condensed format. Figures for both 2004 and 2005 are listed for comparison.

<u>Summary of Net Assets</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$ 643,023	\$ 558,259
Capital Assets	<u>404,394</u>	<u>353,188</u>
Total Assets	<u>\$ 1,047,417</u>	<u>\$ 911,447</u>
Current Liabilities	\$ 163,749	\$ 160,202
Long-Term Liabilities	<u>22,756</u>	<u>22,249</u>
Total Liabilities	<u>\$ 186,505</u>	<u>\$ 182,451</u>
Net Assets		
Restricted	\$ 30,100	\$ 30,100
Unrestricted	426,418	345,708
Invested in capital assets	<u>404,394</u>	<u>353,188</u>
Total Net Assets	<u>\$ 860,912</u>	<u>\$ 728,996</u>

<u>Results of Operations</u>	<u>2005</u>	<u>2004</u>
Revenue		
Property Taxes	\$ 291,408	\$ 264,614
Renaissance Zone	76,529	62,715
Penal Fines	275,972	289,864
Township Contract	136,311	133,944
State Aid	23,990	24,755
Interest	8,086	2,862
Gifts and Memorials	10,264	11,202
Miscellaneous	<u>6,127</u>	<u>6,883</u>
Total Revenue	<u>\$ 828,687</u>	<u>\$ 796,839</u>
Expenses—Library Services	<u>696,800</u>	<u>675,193</u>
Change in Net Assets	<u>\$ 131,887</u>	<u>\$ 121,646</u>

The Library as a Whole

The Library's net assets increased by 38.1 percent during the year. This was due to revenue exceeding expenses by \$ 131,887.

The Library's primary source of revenue is from City property taxes which represent 35.2 percent of the total revenue. The Library's second largest source of revenue is from County penal fines which represent 33.3 percent of the total revenue. The Library's third source of revenue is an annual contract payment from Benton Township which represents 16.4 percent of total revenue.

Salaries and fringe benefits account for approximately 63.4 percent of the general operating expenditures. This is the largest expenditure in the total budget.

The second largest expenditure of the general operating budget was for materials for use by the Library's patrons (books, periodicals, newspapers, and audiovisual items) which represent 13.0 percent of the total budget.

The remaining expenditures are for utilities, supplies, building maintenance, and other expenses associated with the operation of the Library building.

Library's Budgetary Highlights

The fiscal year that ended on June 30, 2005 saw continued improvements in Library operations. New programs and services were introduced in both the Adult and Children's Departments. Plans were initiated for various technology upgrades. A new roof was installed in October 2004. Also, the budgets for books, periodicals, newspapers, and audiovisual items were increased substantially.

The Library's fiscal health has continued to improve. As of June 30, 2005 the Library had enough cash on hand to fund normal operating expenses in similar circumstances for 8.5 months.

Contacting the Library's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of the Library finances and to demonstrate the Library's accountability for the resources that it receives. If you have questions about this report or need additional information, please contact the following individual:

Frederick J. Kirby, Library Director
Benton Harbor Public Library
213 East Wall St.
Benton Harbor, MI 49022

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Laverne Breuker

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November 14, 2005

Library Board
Benton Harbor Public Library
Benton Harbor, Michigan

I have audited the accompanying financial statements of the Benton Harbor Public Library as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position and changes in financial position of the Benton Harbor Public Library as of and for the year ended June 30, 2005, in conformity with generally accepted accounting principles.

As described in Note 1, the Library adopted Governmental Accounting Standards Board Statement Number 34.

The management's discussion and analysis and budgetary comparison information on pages 1 through 2 and 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Laverne Breuker

BENTON HARBOR PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2005

	General Fund Modified Accrual Basis	Adjustments (Note 11)	Statement of Net Assets
Assets			
Cash (note 2)	\$ 504,261	\$ -	\$ 504,261
Accounts receivable	127,810	-	127,810
Taxes receivable	300	-	300
Prepaid expenses	10,652	-	10,652
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>404,394</u>	<u>404,394</u>
Total assets	<u>\$ 643,023</u>	<u>\$ 404,394</u>	<u>\$ 1,047,417</u>
Liabilities			
Accounts payable	\$ 12,474	\$ -	\$ 12,474
Accrued payroll	11,935	-	11,935
Accumulated employee benefits	-	22,756	22,756
Deferred income	<u>139,340</u>	<u>-</u>	<u>139,340</u>
Total liabilities	<u>\$ 163,749</u>	<u>\$ 22,756</u>	<u>\$ 186,505</u>
Fund balance/Net assets			
Reserved (note 3)	\$ 30,100	\$(30,100)	-
Unreserved	<u>449,174</u>	<u>(449,174)</u>	<u>-</u>
Total fund balance	<u>\$ 479,274</u>	<u>\$(479,274)</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 643,023</u>		
Net assets			
Invested in capital assets		\$ 404,394	\$ 404,394
Restricted		30,100	30,100
Unrestricted		<u>426,418</u>	<u>426,418</u>
Total net assets		<u>\$ 860,912</u>	<u>\$ 860,912</u>

See accompanying notes to financial statements.

BENTON HARBOR PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund Modified Accrual Basis	Adjustments (Note 11)	Statement of Activities
Revenues			
Taxes (notes 4 & 5)	\$ 367,937	\$ -	\$ 367,937
Penal fines (note 6)	275,972	-	275,972
Charges for services - townships (note 7)	136,311	-	136,311
Gifts and memorials (note 8)	10,264	-	10,264
State aid and grants	23,990	-	23,990
Interest	8,086	-	8,086
Miscellaneous revenue	<u>6,127</u>	-	<u>6,127</u>
Total revenue	<u>\$ 828,687</u>	<u>\$ -</u>	<u>\$ 828,687</u>
Expenses			
Salaries and wages	\$ 331,091	\$ 507	\$ 331,598
Fringe benefits	142,967	-	142,967
Books and related materials	97,518	(88,376)	9,142
Repairs and maintenance	80,049	(33,684)	46,365
Professional services	7,427	-	7,427
Memberships and dues	9,693	-	9,693
Conferences and travel	1,402	-	1,402
Insurance and bonds	8,135	-	8,135
Utilities	47,932	-	47,932
Capital outlay	3,520	(1,690)	1,830
Miscellaneous	17,736	-	17,736
Depreciation	<u>-</u>	<u>72,573</u>	<u>72,573</u>
Total expenses	<u>\$ 747,470</u>	<u>\$(50,670)</u>	<u>\$ 696,800</u>
Excess of revenues over expenditures/ Change in net assets	\$ 81,217	\$ 50,670	\$ 131,887
Fund balance/Net assets - July 1, 2004	<u>367,957</u>	<u>(22,249)</u>	<u>345,708</u>
Fund balance/Net assets - June 30, 2005	<u>\$ 449,174</u>	<u>\$ 28,421</u>	<u>\$ 477,595</u>

See accompanying notes to financial statements.

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Benton Harbor Public Library (the "Library") conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis section providing an analysis of the Library's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Library's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The Library is located in Benton Harbor, Michigan and is governed by an appointed seven-member board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library there are no component units to be included on these financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS -Continued
JUNE 30, 2005

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Library considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

C. Capital assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Equipment	3 - 10 years
Improvements	5 - 30 years
Library books and materials	3 - 10 years

The Library has a collection of art work, statuary and historical memorabilia presented for public exhibition and education that is being preserved for future generations. The collection is not capitalized or depreciated as part of capital assets.

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS -Continued
JUNE 30, 2005

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

D. Budget and budgetary accounting

An operating budget is developed at the beginning of each fiscal year by the Library Director. The budget is submitted to the Library Board for review and approval. The budget was prepared on a basis consistent with accounting principles generally accepted in the United States of America

E. Compensated Absences

The Library's employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation pay and sick leave may be accumulated and carried over to a subsequent year, subject to restrictions. Accumulated vacation pay is paid at the time of an employee's termination or retirement. A portion of accumulated sick leave may, under some circumstances, be paid upon retirement.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates

G. Risk Management

The Library has purchased commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

H. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

NOTE 2 - CASH

The amount reflected as cash in the balance sheet is comprised of the following:

Certificates of deposit	\$ 62,252
Checking account	441,804
Petty cash and cash on hand	<u>205</u>
Total cash	<u>\$ 504,261</u>

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS -Continued
JUNE 30, 2005

NOTE 3 - RESERVED FUND BALANCE

On April 19, 1988 the Library Board established a "Memorial Trust Fund". During the year ended June 30, 1990 the trust fund received 800 shares of Whirlpool Corporation stock, valued at approximately \$23,500. The income produce by the fund is to be used for "general library purposes" while the principal is to be used "only for a special project as may be later designated."

NOTE 4 - TAXES

The Library levies a 3 mill ad valorem tax on the assessed valuation of the property in the City of Benton Harbor.

NOTE 5 - ENTERPRISE ZONE TAXES

Under Michigan's "Enterprise Zone Act" a specific tax has replaced the Ad Valorem Tax on all commercial, industrial and utility property, both real and personal, within the City of Benton Harbor. The Library and the City have reached an agreement to maintain the Library's annual tax revenue at \$165,000, adjusted for increases in the State Equalized Value.

NOTE 6 - PENAL FINES

Penal fines revenue includes the following allocated fines for the years ended June 30:

City of Benton Harbor	\$ 111,866
Township of Benton	<u>164,106</u>
Total penal fines	<u>\$ 275,972</u>

NOTE 7 - CHARGES FOR SERVICES - TOWNSHIPS

The Library provides services to all residents of the City of Benton Harbor and the Township of Benton. Under an agreement with Benton Townships the Library receives penal fines allocated to the township (see note 6) and an amount equal to .4 mills of assessed valuation for Benton Township. For the year ended June 30 this amount was \$ 136,311.

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS -Continued
JUNE 30, 2005

NOTE 8 - GIFTS AND MEMORIALS

During the year ended June 30, 2005 the Library received various gifts and memorials. Although only a portion of these gifts and memorials may be restricted, they are all used for specific capital or equipment purchases. At June 30 the status of these funds is as follows:

Receipts	
Donations	\$ 9,730
Interest - trust fund	<u>534</u>
Total receipts	<u>\$ 10,264</u>
Disbursements	
Books and periodicals	\$ 692
Furniture and equipment	-
Community promotions	<u>2,051</u>
Total disbursements	<u>\$ 2,743</u>
Excess of receipts over/(under) disbursements	\$ 7,521
Fund balance from prior year	<u>105,488</u>
Gift and memorial fund balance included in fund balance	<u>\$113,009</u>

NOTE 9 - RENTS

Beginning with the fiscal year ended June 30, 1974, Library rent of \$18,000 has been paid to the Benton Harbor Building Authority by the Benton Harbor Permanent Public Improvement Fund.

NOTE 10 - PENSION

For the years ending June 30, 1982 and prior the Benton Harbor Public Library employees participated in the City of Benton Harbor Employees' Retirement System. During the year ended June 30, 1983 substantially all of the employees of the Library withdrew from that system, and established an employer contributed Individual Retirement Account. For the year ended June 30, 2005 the Library contributed \$35,790 to these accounts.

BENTON HARBOR PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS -Continued
JUNE 30, 2005

NOTE 11 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the government fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total fund balance - modified accrual basis	\$ 479,274
Capital assets are not financial resources, and are not reported in the funds	404,394
Compensated absences are included as a liability	<u>(22,756)</u>
Net assets of general fund - full accrual basis	<u>\$ 860,912</u>

Net change in fund balance - modified accrual basis	\$ 81,217
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Library books and material	88,376
Building improvements	33,684
Furniture and equipment	1,690
Depreciation	<u>(72,573)</u>

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>(507)</u>
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Change in net assets of general fund - full accrual basis	<u>\$ 131,887</u>
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BENTON HARBOR PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEARS ENDED JUNE 30

	2005 <u>Budget</u>	2005 <u>Actual</u>	Over (Under)	2004 <u>Actual</u>
Revenues				
Taxes	\$ 312,000	\$ 367,937	\$ 55,937	\$ 327,329
Penal fines	282,000	275,972	(6,028)	289,864
Charges for services - townships	136,000	136,311	311	133,944
Gifts and memorials	15,000	10,264	(4,736)	11,202
State aid and grants	24,000	23,990	(10)	24,755
Interest	3,000	8,086	5,086	2,862
Miscellaneous revenue	<u>10,000</u>	<u>6,127</u>	<u>(3,873)</u>	<u>6,883</u>
Total revenue	<u>\$ 782,000</u>	<u>\$ 828,687</u>	<u>\$ 46,687</u>	<u>\$ 796,839</u>
Expenses				
Salaries and wages	\$ 327,000	\$ 331,091	\$ 4,091	\$ 307,312
Fringe benefits	148,000	142,967	(5,033)	142,106
Office supplies	11,500	10,872	(628)	9,787
Repairs and maintenance	85,500	79,749	(5,751)	45,758
Professional services	6,500	7,427	927	6,093
Telephone	3,000	4,989	1,989	7,722
Conferences and travel	2,000	1,402	(598)	694
Insurance and bonds	10,000	8,135	(1,865)	8,303
Public utilities	46,700	42,943	(3,757)	43,378
Equipment rent	2,600	2,850	250	2,850
Membership and dues	10,700	9,693	(1,007)	9,878
Community promotion	1,500	1,375	(125)	1,460
Gift and memorial expenses	15,000	2,743	(12,257)	1,881
Furniture, fixtures, and equipment	14,000	3,520	(10,480)	4,518
Books, films, periodicals, etc.	94,000	96,826	2,826	82,311
Miscellaneous expenses	<u>2,000</u>	<u>888</u>	<u>(1,112)</u>	<u>1,316</u>
Total expenses	<u>\$ 780,000</u>	<u>\$ 747,470</u>	<u>\$ (32,530)</u>	<u>\$ 675,367</u>
Excess (deficit) of revenues over expenses	<u>\$ 2,000</u>	<u>\$ 81,217</u>	<u>\$ 79,217</u>	<u>\$ 121,472</u>